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Washington, DC New York London Paris

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August 4, 1997

Mr. William Caton Acting Secretary Federal Communications Commission 1919 M Street, N.W. Room 222 Washington, D.C. 20554

RECEIVED

AUG - 4 1997

FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

Dear Mr. Caton:

Re: CC Docket No. 96-115

On July 31, 1997, the Association of Directory Publishers ("ADP") met with Patrick Donovan, Dorothy Attwood, Dave Konuch, Raelynn Tibayan Remy, and Lisa Choi of the Common Carrier Bureau and Paula Silberthau of the Office of the General Counsel to discuss the status of the above-referenced proceeding.

ADP also discussed its belief that the Eighth Circuit's decision in Iowa Utilities Bd. did not affect the Commission's authority with respect to subscriber list information issues. In support of its belief, ADP circulated the attached paper. ADP also circulated an attachment containing (1) local exchange carriers' telephone directory advertisements, (2) articles about BOCs' Internet directories, and (3) examples of telephone directories containing multi-state listings in a single directory. That attachment is appended to this filing.

Representatives of ADP included Rick Lewis, Jane Clark, Bill Hammack, Stephen Wiznitzer, Theodore Whitehouse, and the undersigned

Three Lafayette Centre 1155 21st Street, NW Washington, DC 20036-3384 Fax: 202 887 8979 202 328 8000

Telex: RCA 229800 WU 89-2762

Mr. William Caton August 4, 1997 Page 2

Pursuant to the Commission's ex parte rules, copies of this submission are being filed with the Secretary's Office.

Sincerely,

Michael F. Finn

Enclosures

CC Without Enclosures:

Dorothy Attwood Patrick Donovan Dave Konuch Raelynn Tibayan Remy Lisa Choi Paula Silberthau

#Lucent/AT&T;#

- Definity
- System 75/85
- Legend
- Partner
- Merlin
- Spirit

integrated voice mail for Definity, Merlin, Legend and Partner

Audio Conferencing System



Power Protection Equipment



Regional Sales Manager -9363

TIONAL REAL ESTATE

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? Presentation Team of

ison, Sal Feraci

ronson and Feraci

s R. Liles

Engineering, LLC

. Wooldridge

lge Construction

ss to

Mayor of Memphis

and

SunShine Pages partners with E.W. Scripps Co., the Cincinnati-based parent company of The Commercial Appeal.

You wouldn't expect something as workaday as yellow page listings and advertisements to generate as much of a stir among business owners, but for these entrepreneurs it is an important and expensive proposition.

"It's a very ineated issue," says Susan

Acuff, president of Acuff International.

Acuff is happy to see The SunShine Pages, which entered the market this year by offering free advertisements in the yellow page section.
"Hopefully it will bring down some of

the prices of the (Yellow Pages) ads because they are astronomical," Acuff says.

She cites as an example a three-quar-

is advertising for the first time at a certain size, she says.

"There are so many deals it's like going to Tunica. They offer a first-time ad of a certain size at a certain price. Then the next year they jump that price up considerably and you either pay the higher price or drop the size of your ad," Acuff says. "It's quite a marketing strategy," **Errors in Ads Cited**

While Acuff speaks well of the professionalism of the sales people and managers for the Yellow Pages, she also cites errors in ads and a high turnover among sales people.

All five business owners called at random had positive comments about the new SunShine Pages and the competition

See SUNSHINE, Page 32

On-Line Directories Let Computer Keys Do the Walking for Telephone Information

By Leigh Ann Roman

IF YOU'RE SUCH A NETIZEN THAT you can't tear yourself away from the computer screen to look up a telephone number, not to worry.

The on-line counterparts of independent directory The SunShine Pages and The Real Yellow Pages from BellSouth offer Memphis-specific yellow page Web sites that allow you to check the number without leaving the Web.

You could check out http://www.sunshinepages.com or http://www.yp.bellsouth.com.The SunShine site offers all listings found in its print directory with mapping capabilities, as does the BellSouth directory. You can search by name of business, category, or zip code.

SunShine's on-line directory also offers advertisers a free advertisement when they buy an ad in the print directory. Although print advertisements were free this year only in the SunShine Pages, they will be free on-line for the long term," says Ken Bickford, director of new media at the SunShine Pages.

"What that gives us is a tremendous critical mass of data for Memphians who are trying to locate a dry cleaner or transmission repair ship or even sod and sodding services," he says.

The on-line directory has 2,700 free display ads for Memphis alone, Bickford says. That compares favorably with the entire service area for Nynex Corp., a regional bell operating company which offers about 10,000 paid display ads for its national online yellow pages, Big Yellow, he says. Citizens of Memphis, Tennessee, have

more information about businesses in their community than possibly any other city in the world," Bickford says.

Some aspects of the SunShine Pages online are under construction including a listteller machine locations in Memphis, he says. They should be available in July.

Seattle, Wash.-based Infospace, Inc., a large aggregator of information on the Internet, recently purchased Ypi. Net a consortium of independent directory publishers who were pooling their database.

Because of that change, the Memphis SunShine site and others in that network will soon see additional information such as national residential listings, local residential listings a city guide and a national E-mail address service, Bickford says.

BellSouth's Memphis site already includes the E-mail service, city guide and local and national residential listings.

It also offers a special mapping capability that it allows the user to designate any address as a landmark and to search for businesses within a certain radius of that landmark, says Kevin Doyle, assistant director of media relations at BellSouth

Another significant feature of the BellSouth on-line directory is that it is updated every two weeks, Doyle says.

The regular updates and search capabilities make the BellSouth product stand out, Doyle says.

The search capabilities are unsurpassed," he says. "I have not seen competitive products off the kind and depth of information about the community that we are able to provide."

Community information includes a broad range of information such as tourist attractions, utilities, voting information and a calendar of events.

BellSouth representatives began selling advertising for the on-line product in Memphis only recently, and they should begin appearing later this summer, says David Shipps, information product manager for BellSouth.

"Which Directory Is Best For You?.....



Ask your directory representative these questions before making your business decision.

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What plans do you have to promote and sustain usage?

Real	Yellow	Pages:	BellSouth spends millions each year in television, radic iblipparas letc to educat
			the public on our product.

046	Discour					
Other	Director	/:	 ·	<u> </u>	 	



How will usage be measured?

Real Yellow Pages*: Usage is measured not only by in-house research, but also by well-known independent sources such as NYPM, National Yellow Pages Monitor, a syndicated

research company.

	Other Directory:		· · · · · · · · · · · · · · · · · · ·
Λ			



What kind of syndicated data do you have to prove usage of your product?

Real Yellow Pages*: Through the above mentioned process comes great amounts of data which we share with each business person.

Other Directory:



Can I talk with advertisers who have done business with your company?

Real Yellow Pages: In our case, yes, almost every business has advertising in our product.

Other Directory:



Is advanced payment required before the phone book is delivered?

Real Yellow Pages: Typically, no. Your billing occurs monthly on your phone bill after the book is distributed

Other Directory:



How often will listings be updated?

Real Yellow Pages: Once a year

Other Directory: _____



How many directories will initially be delivered?

Real Yellow Pages': Everyone with a phone receives a BellSouth directory. Eusiness and Residential Other Directory:



R	What is the method of delivery?
	Real Yellow Pages: We contract Directory Distributors of America to insure everyone gets a directory.
	Other Directory:
9	How will you know about new businesses and residents; will they receive a copy?
	Real Yellow Pages: Anyone who sets up phone service, residential or commercial, receives a directory within 2-3 days throughout the year.
* * * *	Other Directory:
\triangle	Many will disactories in hotels and metals he contouished?
10	How will directories in hotels and motels be replenished? Real Yellow Pages: Once a year, books are delivered in bulk (normal distribution) with enough to replace lost or stolen books throughout the year.
	Other Directory:
	Is there a contract to place the directories at pay phones?
	Real Yellow Pages': All BellSouth pay phones have BellSouth directories, which are replaced annually.
	Other Directory:
	Do you require advertisers to have business/commercial phone service?
	Real Yellow Pages': BellSouth requires all listings be commercial to maintain the integrity and accuracy of our product.
	Other Directory:
13	Will the directory have a white page section with complete residential listings for the entire area?
	Real Yellow Pages*: BellSouth updates residential listings in the white pages until publishing dates. This accuracy is rarely duplicated and it increases the user-friendly aspects of our product.
	Other Directory:
	Is there a guarantee that a directory will be published and will it be on time?
/ F7	Real Yellow Pages: Some independent directories reserve the right not to print if deemed unprofitable or they will sell ads until specific profit margins are met, often delaying publishing for several months. BellSouth works on strict publishing schedules and is required to print a directory regardless of sales objectives.
	Other Directory:
15	If there is an error or complaint, who do I call and how will the problem be handled?

Real Yellow Pages': BellSouth prints our business office lines in the front of each directory. We will route each of your calls to the proper representatives.

Other Directory: _

What You Need To Know When You're Buying Yellow Pages Advertising

What You Need To Know When There's More Than One Directory Publisher



There are generally two types of directory publishers; one is affiliated with the local telephone company, such as BellSouth, the other is independently owned and operated. Advertising prices for the independent directories may appear competitive based on the size of the ad and the circulation of the directory. As with any advertising medium, however, you're not buying circulation, you're buying usage—and the two words are not synonymous.

Circulation refers to how many directories will be delivered initially.

Usage refers to how many people are using a particular directory and how frequently they use it.

The things you should take into consideration as you make your Yellow Pages advertising decision are:

- 1) How many people will actually use this directory?
- 2) Are people going to switch to a directory they're not accustomed to using?
- 3) How are different publishers proving the usage of their directories?

Six Questions It's Always Wise To Ask:

- 1) How can I be sure which directory publisher I'm dealing with? Ask the salesperson for identification if you're not sure.
- 2) Will newcomers in the area receive copies?
- 3) How do I make a complaint in case of an error?
- 4) Is payment required in advance?
- 5) How long has the product been in existence and how often will it be published?
- 6) Can I talk to other advertisers who've been pleased with their results?

There's a Stranger Coming to Town.

He's Out to get Your Money... and You Get Nothing, But a Higher Advertising Bill in Return

By WM. Jessen Editor

There is a stranger coming to town, and he's out to get you. This stranger is going to try to fool you by getting you to think he's your friend. He's going to try to convince you that the publisher you have used to advertise your business is weak and ineffective; and that his company is so big and strong, it will enable you to be much more successful than you are now.

in the course of this discussion, I will use three specific cases that are going on now - or are in the immediate plans of a system publisher (a system publisher, as opposed to an independent, is one who operates a phone system in addition to being a Yellow Pages publishing company).

i'm going to make a flat statement, and i'm sticking to it. "The Yellow pages publishing business is a zero sum business." That, my friends, is a very important thing to know and never forget. Zero sum means that the pie doesn't get any bigger (see chart on page #3). Reps will try to get you to forget it - by using their sales talents, their friendly personalities and anything else they can think of - to persuade you to sign

their Yellow Pages Directory in Ileu of, or in addition to, your present Yellow Pages Directory.

But how can I say such a thing? Won't a new directory bring in new business? Not in my life time or yours! Always keep in mind one simple fact and that is, Yellow Pages Directories are passive forms of advertising; they only steer the customer, through various headings, to find what you have already decided you were looking for, before you even picked up the Yellow Pages Directory.

Let me illustrate it in this way. Publishers would have you believe that the Yellow Pages Directory is like a Sears Catalog. People thumb through it, see your ad and call you for your product or service. Just like you might do while thumbing through the catalog - you see a dress that you can't live without or a fishing pole you've always wanted. Think about it. with Yellow Pages, it doesn't happen that way. Now, this is important! It is precisely for this reason that I can say that the Yellow Pages Directory is a zero sum game. Think of all the business produced by a single Yellow Pages Directory in a town we will call "Dodge City," USA. For clarity of

umant latte also say that there are

distributed in Dodge City, only the system directory, published by the local phone company. Anyone who lives in Dodge City that wants a product or service, and doesn't know where to find it. will, no doubt, pick up this local Yellow Pages Directory and decide who to call to provide that product or service. One day, a stranger walks into your business with a big smile on his face and says to you, "You are now going to have an option when deciding to place your Yellow Pages ad, because he represents the "American Dream" publishing company." They have decided Dodge City's public and business communities need a second choice when it comes to using the Yellow Pages Directory! The implication he gives is that, by signing up to place an ad in the American Dream Directory, your business will somehow be better off than ever before - because you now have a choice. He might even offer a tree ad in the initial directory (this is called a prototype directory), or he may offer you a much better price, for the first year, than you are now getting, if you will only advertise in the American Dream Directory.

no other Yellow Pages Directories

If you fall for this line of honwash.

you may certainly regret it, for several reasons: #1 Where are all these additional business calls coming from? With only one directory in Dodge City, you are aiready receiving all the calls you might expect to receive - based on your ad placement, ad size, ad content, the use of RCF numbers and a host of variables, including how many years **you have been an advertiser. #2** If the **American Dream publishing company** has their way, there will be two directories in every home & business. and if you only have an ad in one of these directories, and someone picks up the directory you're not in, you aren't even going to be considered as a choice, regardless of how good your ad may, or may not, be.

So now you decide that you must **be in both directories** because you have no way of getting the potential customer to pick up the only directory you have chosen to be in. Logically, you decide that you must be in both directories to insure an equal shot at the customer choosing your ad to call. However, now you have a problem you have never had before. Remember when the American Dream rep walked into your business and told you that you were paying too much for your ad in the local Yellow Pages Directory? #3 Well, now you have to pay for the American Dream ad and the ad in the old directory! In effect. you have dramatically increased your advertising cost, and have no additional business to pay for it. That American Dream salesman really was a good salesman, wasn't he?

Zero sum means that the ple doesn't get bigger. If you find you are doing more business with the two ads, then someone else is - without question - doing less business, and even if you're one of the lucky ones to be doing more business, you still have dramatically increased your advertising costs.

See Graphic Chart Illustration On Page 3

So who really is giving you the business? Isn't it the American Dream Directory Publishing Company?

The only way to fight this situation is not to fall for their line, in the first place. Sure, they may offer you a free ad or cheaper ad than you are now paying for with the old Yellow Pages Directory, but is it cheaper - when you find out that you now have to be in both books to receive the same number of calis?

If you are fortunate enough to live in a city or town that still only has one directory, don't complain about what you are paying for your Yellow Pages ad - the American Dream directory may have plans that could change that for you.

What can you do to stop this from happening in your city or town? Simple - you must do two things!

#1 When the rep from a new directory walks in or calls you on the phone to offer you a "free" or a greatly reduced priced ad, simply remember it's not really free or cheaper — it comes with a big hook.

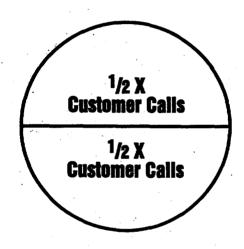
#2 You must tell your friends who are in business not to fall for this line, and tell them why - in no uncertain terms. They don't expect everyone to say "No", so they will keep offering their story until enough people say "Yes". It's very hard for people to say "No" to a free ad, or to an ad at 40 to 70% off the first year. If you've done any fishing, you know that you are just trying to get the fish to check out what you are offering him, so you can set the hook, deep! You don't have to be worried about being the one that got away, if you don't nibble at the bait.

Don't get me wrong - I love Yellow Pages advertising. My entire company couldn't exist without the Yellow Pages, I think that Yellow Pages are about the greatest books ever published for the purpose of business. I also believe that, if a little bit of something is great, it doesn't necessarily follow that a lot of the same thing will be even better. A little bit of sugar or cream in your tea or coffee may be good, but a lot would be ghastly. A little bit of insulin to a diabetic is life saving, but a lot would probably kill him or her.

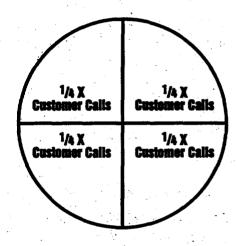
The Zero Sum Game, Played by Yellow Pages Publishers. More Directories Do Not Mean More Calls. You'll Always Lose!



100% of the calls produced by advertising, when there is only one published directory in an area.



Two Publishers dividing up this pie. You will get approximately the same number of calls - at twice the price. Such a deal!!!



Four Publishers slicing up this pie. Now it could cost you four times as much for the same number of calls. Makes you want to run right out and sign up, doesn't it?

The Zero Sum Game is being played by Yellow Pages Publishers.

You must fight this system with everything you have! You must do more than refuse to play, or they still win! I believe a case can be made for the need for small, independent publishers or neighborhood books to support small businesses in a local area. They are always very inexpensive (compared to the system books or large independents), so most small businesses that do business in a limited geographic area are well served by them.

Now, lets' deal with some specific cases of intrusions by system publishers or large independents into other system areas that would bring the aforementioned about, or situations that are now in progress.

in Everett, Washington, the system book is GTE. US West is coming to town to sell all of GTE's customers a new ad in a new directory, if you allow US West to have their way, all of the inhabitants of, not just Everett, but Marysville, Arlington, Camino Island, Lake Stevens, Monroe, Snohomish, Silverlake, Mill Creek and many others will soon be the "proud" recipients of the new "Everett and Vicinity" US West Yellow Pages Directory. And then, the tun will begin for you. Two directories to pay for, instead of just one. Isn't that a great deal? Especially since you're not going to receive any more calls. uniess someone else gets less calls. When you're calculating all the savings you will be getting by advertising in this new directory, you would be wise to subtract all the business you will lose by customers not finding you in the old directory. because they may call someone else.

playing - more directories do not bring more calls with them, they simply give you fewer in each directory than you would have had with one directory; and, as an added bonus for being taken in, you get to double your advertising costs. If not the first year, then when they raise their directory to its normal competitive price. (Depending on your ad size choice.) Isn't this exciting?

in Northern California, a company called Great Western Directories is overlaying the area of the system book, which happens to be Pacific Bell. Is turnabout fair play? Not really. because remember zero publishing? No more calls come from these new directories, only new advertising bills. Great Western Directories is well on the way to accomplishing its goal, it uses the expensive, but very effective "Prototype" method for starting a new directory. They give you a free ad in the first directory, and then come back and set the hook. Its works - for them.

A third publisher that comes to mind, when I'm talking about expanding one's territory, is Valley Yellow Pages. They, for the most part, overlay Pacific Bell's territory - starting from Bakersfield, Fresno, Stockton and a recent one, I believe, in Fairfield. California.

Not to be left out of this overlay expansion process is Pacific Bell. As I understand it, Pacific Bell is now going to publish new directories Southern California - starting with Santa Barbara and moving East all the way to Ontario, CA. Just what we need - in what is already phone book heaven. I can't imagine a home or business in Southern California with less than 5 or 6 Yellow Page Books already.

Remember, zero sum publishing. No more calls, but guaranteed higher advertising bills.

A variation of the zero sum game is also being played on the publishers as well. Think about it. Every time a publisher overlays an area with another unnecessary directory, he weakens every Yellow Pages advertiser in that area. As anything gets weaker, it tends to eventually reach a breaking point; and, then, there is one less advertiser to support a self-destructive system. But the publishers will say that It's a free market system, and so it is. But they are the ones that keep crying about zero or negative growth; some have called it a "matured" market. The publishers can't have it both ways. If they want to see positive growth, they the have to stop increasing advertising cost burden of their advertisers, without compensating them with new business - and that. they cannot do.

Don't ever think for a moment that publishers who flood your areas with directories are your friends - because they are not! They are businessmen pursuing their American dream, and I can't fault them for that. But be warned, zero sum publishing works



DISTRICT

LOW PAGES

From A to Z for all of The District of Columbia

Including Business White Pages

Additional Yellow Pages Listings For:

METROPOLITAN WASHINGTON

SHOPPING MALL GUIDE

See "Shopping Centers & Malls" in the Yellow Pages of this Directory

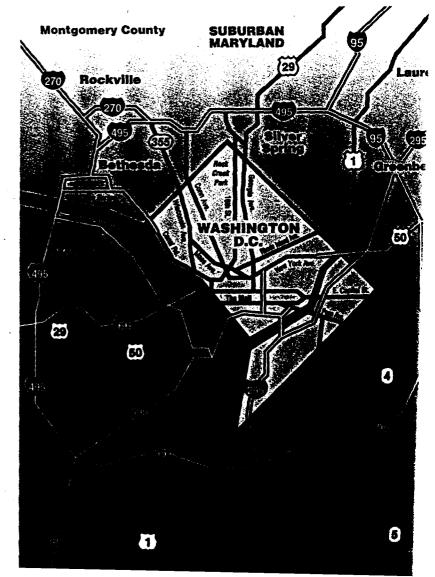
爾FROM YOUR PHONE!

Updates on News, Sports, Weather, Soap Operas, Horoscopes, and More... see pages 2 and 3.

Recycling Information Immediately Following White Pages Section

Reuben H. Donnelley Recyclable





theliville 20716 Mount Vernon misomery Vig 20879 Naval Rsrch Lb wington	22121 N Springbrook 20375 Northeast	22151 Oakton 20002 Olney	22124 20832	RÍICINECC	201	RYON-SAFEWAY
a McDeglel Heating & Air Conditioning	SERD Inc 5225 Wis AV IW SERD Inc 5225 Wisconsin AV IW SEREF 777 North Cap St Ne	20015 Palisade 	SRC Group 1111 19th St NW SRR Concepts 4427 Wis Av N SRR Concepts 1129 20th St N	331-9688 W895-2815 W331-8078	Sachee Harry R horr 12 Res 2534 Newart St W Sacilotto Kare N 1857 S	11361 50 St HW
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Augustina Reform Project All III III III III III III III III III	S F & C Insurance 300 St NE SPC Systems 420 Mass Av NW SPPE Insurance 1255 23rd St NV S G Used Cars 3411 Ga Av NW	544-0041 	S & S Associates consultant 1 Wasi S & S Contractors 1204 34th S & S Electronics Annadale V	3 C St Laurel hington Tel No-628-2394 St NW333-9119 NA NE259-4475 Bel NE360-0385	Sacra Darrier M sety 17	io vi s. 10W
Gall Inc etc. 1227 F St INV 392-1612 J Saltware 1223 I St INV 775-4936 J Baltware 1223 I St INV 337-2204 Ladde 14 C 342-1200	SCI 409 12th St SW SCI Corp Wash DC S H Automotive Service 2325 1 S & H Green Stamps	863-2544 296-7729 8th St NE - 529-1508	S& S Home Improvements Temple HHS MD S& S Incorporated 1200 New Hampshire Av HW	301630-0390	Sacks Michael Win lay Sacks Preston MD 244 Sacks Stephen M layr Sacks Steam Brickerd Sacks Thoams I, MD 20	1920 N St NW 333 8900 M St NW 293 8567 1200 NH Av NW 872 668 M Storeet NW 296 2180 21 K St NW 296 2180
AS 195 Com Av IIW 1-bt Insurance Program Administrator 155 Zini St IIW 296-8030 I Insurance Program Administrator 151 Zini St IIW 296-8030	371 W Broad Qualcetown PA - SHARE Foundation 401 Mich Av SHC 1908 Bladnsbrg Rd NE SHC 1330 Conn Av NW SHC Health Resources Group	NE 319-5540 832-6087 659-0060	S & S Liquors 6925 4th St NM S & S Rapid Shoe Rebuilders S & Security And Services in 7706 Ga Av NW	Y882-2362 11126 H NE397-2676 nc291-8402	Sacoff Robert W atty W Sacom Inc Systems An 5716-B Industry La Fra Frederick Sacoto Freddy Enrique	atryte Six Hundred 338-1300 d Services derick MD301 695-8210 Toll Free-800 727-3010 DDS 818 18th St MW - 887-6740
# bearmational 2000 L St NW - 416-1649 #C 135 Cam Av NW - 467-8565 #A Auth Reput 318 I St NE 543-1506 #EEE Congulting Engineers 466-8086	3322 N Broad St Philadelphia P/ S I Safe Sales Northern Virginia SIA 1330 Conn Av NW SIAM Insurance Program Admir	A215 221-8088 Lorton VA Foll Free-800 697-8959 659-0060	1255 23rd St NW SSI Business Centers 12301 Twinbrook Pkwy Rock Government & Cornorate S	rylle MD301 816-1000	Sacred Heart Adult Edi 1621 Park Rd HW Sacred Heart Church 1 Sacred Heart Convent	rcation Center 462-6499 Sth & Park Rd IVW 234-8000 1618 Monro IVW 265-4426
Corp Wash DK 797-2525 (1985 17th St NW 296-7530 (1986) 19th St NW 296-7530 (1986) 19th St NW Washington 722-0901	1255 23rd St NW SID 1875 Conn Av NW SIECUS Wash DC SIETAR International 806 17th	296-8030 	Rockville MD S R Enterprises Wash DC S R Enterprises 3101 12th SSR Incorporated 116 4th St	301 231-5600 	16th & Park Rd NW - Sacred Heart Home Inc 5805 Queens Chapel R Orc 5805 Queens Ch	332-9674 Admin I Hyattsville MD - 301 277-6500 pel Rd Hyattsville 301 277-6501
Tili Godridge Dr McLaen	1332 Indep Av SE S I M - Exchange Publications 2 SIO Discount Cleaners 7610 Ga SIO Discount Cleaners 6713 14	297-2000 2014 P St NW 296-2814 Av NW 291-3476 th St NW 291-3476	S & T Auto Services Washingt S & T Management Corp ofc S T A Travel 2401 Pa Av Nw STAFFtoday Inc Maryland D	h DC	Sacred Heart Rectory 1 Sacred Heart Religious 1625 Park Rd NW Sacred Heart School 10	6th & Park Rd NW - 234-8000 Education Center - 265-0595 25 Park Rd NW 265-4828
7/3 Maria Paris Pa	S & J Liquor Store 1500 Mass Av SIA International 1133 Conn Av SIG Properties 805 15th Street I SIS Advanced Strategies 1330	/ SE 546-0924 NW 223-4001 NW 842-5100 Conn Av NW - 429-5500	STAT Medical Service 1725 i STEP Foundation 620 Morton STE Productions 5151 Wis Av STE Productions 5151 Wis Av	K St. NW	Sacred Heart Spiritual 1732 Seaton St NW - Sacripanti Peter hvyr 1 Saddle's 5 & 10 Store Sadeghian Iradi MD 13	Crurci
125 23rd S NW	SLA Insurance Program Admini 1255 23rd St NW SLH Distributors 1522 K St NW SLI Limousine & Escort Service 209 Onthrpe St NE	Istrator 296-8030 393-7435 526-5666	STG Marketing Communicat 13873 Park Center Rd Hernd STM Heavy Duty Electrical 534 Main St Pennsburg PA STS Energenics Ltd 1725 K S	dons on VA 703 318-5054 ipecialists 215 679-3489 ix NW 463-8620	Sadie's Carry Out 6214 Sadie's Hair Palace Inc 3700 Old Silver Hill Rd Sadin Harold C MD Office 2141 K St KW	3rd St MW 722-0230 Suitland MD 301 899-7840 872-1973
256-8030 All Washington \$100 Wis Av NW	S & M Beauty Salon 1812-1/5 11: S & M Market 3025 14th St WW SMC International Inc 1211 Con SME-AIME Insurance Administr 1255 23rd St WW	th St NW 332-0325 328-6990 IN AV NW 223-8782 rator 296-8030	SUMMATIONS 3617 Ordway S & V Enterprises 3265 Presp SW Associates 3099 Hawthor S & W Bus Lines Inc. 615 Rarrington St SF Washin	St NW686-4281 sect St NW342-2216 me Dr NE319-1950	Res 6827 Wilson Ln Be if No Answer Call Sadka George MD 1756 Sadler Constance A 2tt Res 6100 Nebr Av NW	th
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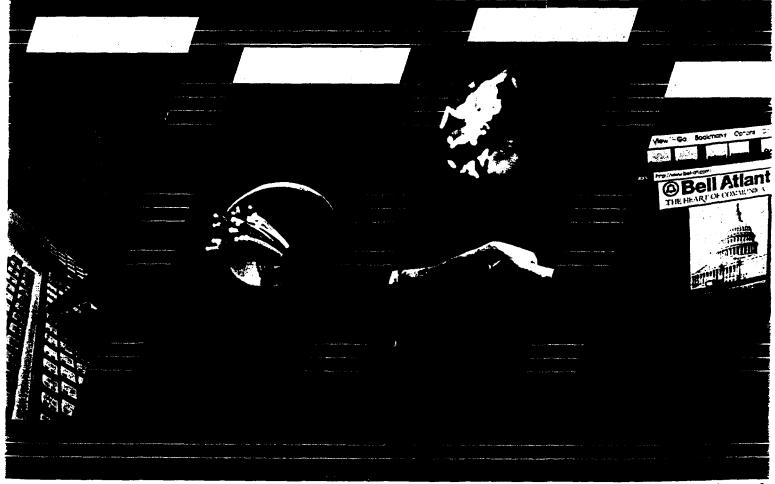
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THE COMMISSION HAS THE AUTHORITY TO PROMULGATE REGULATIONS IMPLEMENTING SECTION 222(e).

I. Introduction.

The comments and record in CC Docket No. 96-115 demonstrate that implementing rules are necessary and desirable to give effect to Congress' intent in Section 222(e). As we see it, the record clearly establishes that rules should be adopted. The question this paper addresses is whether the Commission may adopt such rules. That question is precipitated by the Eighth Circuit's 18 July 1997 decision in Iowa Utilities Board v. FCC. 1 As shown below, the Commission's authority to adopt such rules is undisturbed by what we (and, we assume the Commission) perceive to be the erroneous ruling of the Eighth Circuit.

Section 222(e) presents a situation entirely different from that before the Eighth Circuit. Most notably, Section 222(e) is concerned with the promotion of competition in the classified telephone directory advertising and publication business (yellow pages). Furthermore, the statute contains no delegation to, let alone any mention of, state authority and therefore the Commission's jurisdiction is not at odds with any express grant to the states as was case in <u>Iowa Utilities Bd</u>. In any event, because the interstate and intrastate aspects of SLI are impossible to separate, the Commission -- in the event of any

^{1 1997} WESTLAW 403401 (8th Cir. 1997).

such conflict -- would have authority to issue regulations under Section 222(e).

II. The Commission's Authority Over Subscriber List Information Sold To Directory Publishers Is Not Confined By Section 2(b) Of The Act.

Section 222(e) focuses on fostering competition in the unregulated classified telephone directory advertising market (yellow pages) and is not concerned with telecommunications services as such. As pointed out in ADP's comments in CC Docket No. 96-115, classified directory advertising is a more than \$10 billion per year industry. It is not surprising therefore that many LECs historically refused to provide their listings to independent directory publishers (a publisher unaffiliated with a LEC) or attached such onerous conditions to their provision so as to amount to a refusal to deal.² Those types of activities help explain why today LECs hold a 96% market share.³ To promote competition in the classified directory advertising market, Congress enacted Section 222(e).

Section 222(e) requires LECs and CLECs to provide subscriber list information -- defined in Section 222(f) as name, address, telephone number, and "primary advertising classification" -- on

In its comments, reply comments, and ex parte filings in CC Docket 96-115, ADP has supplied the Commission with numerous historical and more recent accounts of anticompetitive behavior by LECs. <u>See also</u> Floor statement of Rep. Barton, 141 Cong. Rec. H8498 (daily ed. Aug. 4, 1995).

See Floor statements of Rep. Barton, 141 Cong. Rec. H8498 (daily ed. Aug. 4, 1995) (discussing anticompetitive behavior by LECs); 142 Cong. Rec. H. 1160 (daily ed. Feb. 1, 1996) (same).

reasonable and nondiscriminatory rates, terms, and conditions to any entity wishing to publish a directory in any format. The inclusion of "primary advertising classifications" makes plain that Section 222(e) is aimed at the classified directory market. Indeed, the Conference Report4 -- which is the most persuasive evidence of congressional intent next to the statute itself5 -- expressly states that Section 222(e) was premised on "guarantee[ing] independent publishers access to subscriber list information at reasonable and nondiscriminatory rates, terms and conditions." Individual floor statements by two members of the conference committee further demonstrate that Congress intended Section 222(e) to open competition in the classified directory publishing market.6

In light of the above, Section 222(e) is not implicated by the "fence" of Section 2(b). That fence reaches only matters that are "for or in connection with intrastate communication service by wire or radio." Subscriber list information, for purposes of Section 222(e), is not such a matter. As shown above, Section 222(e) is concerned with the ability of independent directory publishers to acquire SLI for the purposes of soliciting yellow pages advertisements and publishing and

See H. R. Conf. Rep. No. 230, 104th Cong., 2d Sess. 205 (1996).

⁵ See Sutherland Statutory Construction § 48.08 (5th ed.).

See Floor statement of Rep. Bill Paxon, 142 Cong. Rec. E184 (daily ed. Feb. 6, 1996); Floor statement of Rep. Joe Barton, 142 Cong. Rec. H1160 (daily ed. Feb. 1, 1996).

distributing of the classified directories. Thus, while it is true that SLI may be gathered in conjunction with LECs' offering of telephone service, the sale of SLI to directory publishers for purposes of advertising solicitation and directory distribution cannot conceivably fall within the Section 2(b) fence.

Consequently, Section 2(b) is of no relevance to the Commission's authority to issue rules implementing Section 222(e).

III. Even If Section 2(b) Were Applicable, The Impossibility Exception Allows The Commission To Issue Regulations Covering SLI For Purposes Of Section 222(e).

Although ADP believes that Section 2(b) has no impact upon the Commission's authority under Section 222(e), the following discussion shows that even if Section 2(b) applied, the Commission would still possess regulatory authority based on the impossibility exception.

A. Overview Of Section 2(b) And The Impossibility Exception.

The Communications Act ("Act") establishes "a system of dual state and federal regulation over telephone service." Under Section 1 of the Act, 47 U.S.C. § 151, "[i]nterstate communications are totally entrusted to the FCC," which is charged with providing a "rapid, efficient, Nation-wide" wire and radio communications service. Regulatory authority over "charges, classifications, practices, services, facilities, or

⁷ Louisiana PSC v. FCC, 476 U.S. 355, 360 (1986).

National Ass'n of Reg. Util. Comm'rs v. FCC, 746 F.2d 1492, 1498 (D.C. Cir. 1984) (quoting 47 U.S.C. § 151).

regulations for or in connection with intrastate communications services by wire or radio of any carrier" is withheld from the Commission pursuant to Section 2(b) of the Act, 47 U.S.C. § 152(b).

Although Sections 1 and 2 superficially seem to create two distinct spheres of regulation, the Supreme Court has recognized that "the realities of technology and economics" blur the boundary line between federal and state regulatory domains. For example, virtually all telephone plant that is used to provide interstate service also is used to provide intrastate service. Thus, regulation of telephone lines and equipment almost inevitably affects both interstate and intrastate communications. Consequently, Section 2(b) "does not create a simple division; rather, it creates a persistent jurisdictional tension."

In recognition of that tension, the Supreme Court in

Louisiana PSC stated that the Commission may issue regulations impacting upon intrastate matters only when the matter has

Louisiana PSC, 476 U.S. at 360. See also Public Utility Comm'n of Texas v. FCC, 886 F.2d 1325, 1329 (D.C. Cir. 1989) ("Texas PUC").

Louisiana PSC, 476 U.S. at 360.

See, e.g., Texas PUC, 886 F.2d at 1333-1335; North Carolina Utils. Comm'n v. FCC, 552 F.2d 1036 (4th Cir.)("NCUC II"), cert. denied, 434 U.S. 874 (1977); North Carolina Utils. Comm'n v. FCC, 537 F.2d 787 (4th Cir.)("NCUC I"), cert. denied, 429 U.S. 1027 (1976).

Public Serv. Comm'n of Md. v. FCC, 909 F.2d 1510, 1514 (D.C. Cir. 1990) ("Maryland PSC").

interstate aspects as well and it is "not possible to separate the interstate and intrastate components of the asserted FCC regulation." As examples of the "impossibility" exception to Section 2(b), the Court cited the 4th Circuit's decisions in NCUC I and NCUC II.

As made plain in NCUC I, the impossibility exception does not require that compliance with different state and federal rules be physically impossible; it is enough that compliance with both sovereigns is not possible as a practical matter. For that reason, the court upheld the Commission's decision to promote competition in the customer-premises equipment ("CPE") market by preempting state regulations prohibiting telephone subscribers from attaching a non-telephone-company phone to the telephone network unless the phone was used exclusively for interstate service. 14 The court found that telephones (CPE) are used jointly for intrastate and interstate communications and therefore a requirement that their use be limited to one or the other was a "practical and economic impossibility."

In <u>NCUC II</u>, the 4th Circuit reaffirmed its <u>NCUC I</u> holding and rejected the notion that intrastate facilities were those used "predominantly" for local communications. The court explained that such a test would deny the Commission jurisdiction over any jointly used property. The fact that almost all CPE

¹³ 476 U.S. at 375 n.4.

¹⁴ 537 F.2d at 790-96.

¹⁵ 552 F.2d at 1045-49.

is used predominantly for local communications, held the court, should not be "confuse[d]" with the "statutory division of decisionmaking power." According to the court, Congress did not create a regulatory scheme "that depends on the calling habits of telephone subscribers to determine the jurisdictional competence of the FCC versus state utility commissions." In short, the fact that CPE was used predominantly for intrastate calls did not mean that the Commission was without preemption power under the impossibility exception.

B. The <u>Iowa Utilities</u> Bd. Decision.

In <u>Iowa Utilities Bd.</u>, the Eighth Circuit held that the Commission had exceeded its jurisdiction in promulgating various rules pursuant to the local competition provisions, 47 U.S.C. § 251(c)(2)-(4), of the Communications Act ("Act")¹⁸ which, on their face, divide various regulatory responsibilities between the Commission and the states. Looking to the statute's plain language, the court concluded that it "directly grant[ed]" and "undeniably authorize[d]" the grant of pricing authority to the states. Finding no similar express authorization to the Commission, the court held that the statute's plain language did

^{16 &}lt;u>Id.</u> at 1046.

¹⁷ Id.

The local competition provisions, which require incumbent LECs to provide competitors with (1) interconnection, (2) access to unbundled network elements, and (3) certain telecommunications services priced at wholesale rates.

not empower the agency to issue its local competition pricing rules.

The impossibility doctrine, held the court, was likewise unavailable because the express statutory grant to the states demonstrated that Congress did not intend for the Commission to have any authority, let alone preemption authority. ¹⁹ In reaching that conclusion, the court observed that its decision was one of first impression because:

none of the courts invoking the impossibility exception had the assistance of a federal statute that specifically determined who had jurisdiction over the telecommunications area at issue, those courts had to resort to analyzing the interstate/intrastate character of the telecommunications services, as required by Sections 151 and 152 of the Communications Act, in order to make such a determination. Here, however, subsections 252(c)(2) and 252(d) clearly assign jurisdiction . . . to the state commissions, thus avoiding the need to analyze the interstate/intrastate character of these services.²⁰

In dicta, the court conducted what it called "a traditional analysis of the interstate/intrastate quality of the local competition provisions." It concluded that the subject matter of those provisions -- interconnection, unbundled access, resale, and transport, etc. -- were "fundamentally intrastate in character" and thus state regulation could not negate the

^{19 &}lt;u>Iowa Utilities Bd.</u>, 1997 WESTLAW 403401 at *8. The court also observed that ratemaking was generally capable of being separated into its intrastate and interstate components.

Id. However, the court <u>did not</u> make any conclusion concerning the separability of the provisions before it.

²⁰ Id. *7-8.

^{21 &}lt;u>Id.</u> at *9.